

## Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 EB-08 COME-00 TRSE-00 XMB-02 OMB-01  
AID-05 NEA-10 FRB-03 PM-05 NSC-05 SP-02 SS-15  
CIAE-00 INR-10 NSAE-00 L-03 /084 W  
-----120416 160300Z /62  
R 151430Z MAR 78  
FM AMEMBASSY PANAMA  
TO SECSTATE WASHDC 6101

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E.O. 11652: N/A  
TAGS: EFIN, PN, SA, KU  
SUBJECT: GOP CONSIDERING MAJOR LOANFROM ARAB STATES TO PAY OFF  
LOANS FROM PRIVATE INTERNATIONAL BANKS

1. IN EARLY MARCH, A GOP OFFICIAL COMMENTED TO EMBOFF THAT  
THE GOP HAS RECEIVED OFFERS OF FINANCIAL ASSISTANCE FROM  
SEVERAL ARAB STATES. HE SPECIFICALLY MENTIONED SAUDI ARABIA  
AND KUWAIT. THESE COUNTRIES HAVE INDICATED TO THE GOP THAT  
THEY HAVE FUNDS AVAILABLE AND ARE WILLING TO INVEST IN PANAMA,  
AND THEY ARE INTERESTED IN LONG-TERM LOANS, I.E. TEN YEARS  
OR MORE.

2. ACCORDING TO THIS OFFICIAL, PANAMA, AS OF DECEMBER 1977,  
HAD A TOTAL PUBLIC SECTOR DEBT OF NEARLY \$1.8 BILLION (OFFICIAL  
ESTIMATES PREVIOUSLY WERE \$1.6 BILLION). HE SAID THAT THE  
CENTRAL GOVERNMENT'S PORTION OF THIS DEBT IS \$940 MILLION.  
BETTER THAN HALF OF THE CENTRAL GOVERNMENT DEBT CONSISTS OF  
LOANS FROM PRIVATE INTERNATIONAL BANKS. PRIVATE BANK LOANS  
TO THE GOP NOW TOTAL NEARLY \$600 MILLION. THESE LOANS ARE  
SHORT TERM, HIGH INTEREST, IN COMPARISON WITH THE  
LOANS PANAMA HAS RECEIVED FROM VARIOUS INTERNATIONAL  
FINANCIAL INSITUIONS.

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3. THE OFFICIAL, WHO REGULARLY ATTENDS THE MEETINGS  
OF PANAMA'S NATIONAL FISCAL COMMISSION, CLAIMS THAT  
THE GOP IS SERIOUSLY CONSIDERING THE NEGOTIATION OF A  
MAJOR LOAN, SUFFICIENT TO PAY OFF ALL OF THE PRIVATE  
INTERNATIONAL BANK LOANS. ONE PROPOSAL, WHICH THE  
COMMISSION HAS TAKEN INTO CONSIDERATION, IS THE  
NEGOTIATION OF SUCH A MAJOR LOAN FROM THE ARAB STATES.

THE TERM OF THE LOAN WOULD BE 20 YEARS WITH CAPITALIZATION OF INTEREST. BOTH REPAYMENT AND INTEREST ON THE LOAN WOULD BE DUE AT THE END OF THE 20-YEAR PERIOD WITH NO PAYMENTS MADE IN THE INTERIM. ALTHOUGH THE FISCAL COMMISSION HAS CONSIDERED THE PROPOSAL, IT HAS SHELVED IT UNTIL AFTER THE CANAL TREATIES ARE RATIFIED. SOME MONTHS AFTER TREATY RATIFICATION, THE PROPOSED LOAN WILL AGAIN BE SURFACED AND THE OFFICIAL FEELS THAT THERE IS A STRONG LIKELIHOOD THAT SUCH A PROPOSAL WILL BE ADOPTED AS AN IMMEDIATE SOLUTION TO PANAMA'S DEBT BURDEN.

4. THE OFFICIAL DESCRIBES THE MEMBERSHIP OF THE FISCAL COMMISSION AS FOLLOWS: THE COMPTROLLER GENERAL, DIRECTOR OF THE NATIONAL BANK OF PANAMA, THE MINISTER OF PLANS AND ECONOMIC POLICY AND THE MINISTER OF THE TREASURY, AS WELL AS TECHNICAL REPRESENTATIVES FROM EACH OF THE GOP ORGANIZATIONS THAT THE AFOREMENTIONED OFFICIALS REPRESENT. IT IS AN INFORMAL, FISCAL POLICY-MAKING BODY OF THE GOP THAT MEETS ON AN AVERAGE OF ONCE PER WEEK.

4. COMMENT: FROM THE OFFICIAL'S REMARKS, IT WAS NOT CLEAR WHETHER THE LOAN PROPOSAL IN QUESTION WAS INITIATED BY THE ARAB STATES, OR WHETHER PANAMA EVOLVED THE SCHEME IN RESPONSE TO ARAB OFFERS OF ASSISTANCE. A LOAN OF LIMITED OFFICIAL USE

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THE PROPORTIONS AND UNDER THE CONDITIONS DESCRIBED ABOVE WOULD CERTAINLY BE APPEALING TO PANAMA, SINCE IT WOULD GREATLY REDUCE PANAMA'S CURRENT DEBT SERVICING REQUIREMENT AND WOULD PERMIT THE GOP TO PUMP ADDITIONAL REVENUES INTO ECONOMIC DEVELOPMENT.  
JORDEN

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NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC ASSISTANCE, LOANS, GOVERNMENT DEBTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 15 mar 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978PANAMA01722  
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**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780116-0464  
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**Message ID:** bf4ccec6-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION ARA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Page Count:** 2  
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**Status:** NATIVE  
**Subject:** GOP CONSIDERING MAJOR LOANFROM ARAB STATES TO PAY OFF LOANS FROM PRIVATE INTERNATIONAL BANKS  
**TAGS:** EFIN, EAID, PN, SA, KU, XF  
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**Type:** TE  
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**Review Markings:**  
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